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FISCAL IMPACT STATEMENT

LS 7451

BILL NUMBER: HB 1637

NOTE PREPARED: Jan 24, 2007

BILL AMENDED:

SUBJECT: County option income taxes.

FIRST AUTHOR: Rep. Pierce

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ___**GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Pending

Summary of Legislation: This bill authorizes a county to adopt an additional County Adjusted Gross Income Tax rate (CAGIT) or County Option Income Tax (COIT) rate of not more than 0.25% to fund the operation and maintenance of a jail, a juvenile detention center, and other facilities to provide juvenile services.

The bill also authorizes counties that have adopted additional income tax rates to construct jails and juvenile facilities to amend the ordinances to permit the use of the additional income tax rate for operating expenses.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of State Revenue and the State Budget Agency would be required to adjust a County's COIT or CAGIT certified distribution for the year following a tax rate increase authorized under the bill. The Department and the Budget Agency should be able to carry out this provision within their existing resources.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill would allow any county to increase its CAGIT or COIT tax rate by up to 0.25% to fund the operation and maintenance of a jail, juvenile detention center, or other juvenile services facility, or any combination thereof.

In order to increase the tax rate, the county fiscal body would have to adopt an ordinance (1) finding that CAGIT or COIT revenues are needed to fund a jail or juvenile facility; and (2) agreeing to freeze the part of the property tax levy that is used for a jail or juvenile services facility at the rate imposed in the year before the first full year in which the tax rate increase takes effect. The bill prohibits the DLGF for considering the additional revenue in setting the county's maximum levy.

Counties that have already adopted additional income tax rates to construct jails and juvenile facilities may, under this proposal, amend the ordinances to permit the use of the revenue for operating expenses.

In CY 2007, 56 counties have imposed CAGIT with distributions equal to \$399 M and 28 counties have imposed COIT with distributions equal to \$524 M.

Currently, five counties impose an additional CAGIT or COIT rate for construction of a facility, six counties impose an additional CAGIT or COIT rate for construction or operation of a facility, one county imposes an additional CEDIT rate for construction of a facility, and 80 counties have no correction-related additional tax rates.

The 80 counties that do not currently impose an additional CAGIT or COIT for jail or juvenile facility construction or operations plus the single county that currently imposes CEDIT for construction could generate \$279 M in CY 2008, \$285 M in CY 2009, and \$292 M in CY 2010 from local income taxes under this bill to use for the operation and maintenance of these facilities.

The five counties that impose an additional CAGIT or COIT rate for construction of a facility would be permitted an additional use of their additional CAGIT or COIT proceeds. A 0.25% income tax rate generates a total of about \$7.5 M per year for these counties.

There would be no change for the six counties that already impose an additional CAGIT or COIT rate for construction or operation of a facility.

Except in 2007, if the county adopts the rate increase before April 1st in a year then the new rate would be imposed beginning in July of that year. If the rate is adopted after March 31st, then the new rate would be imposed in July of the following year. In 2007, the county would have until May 31st to adopt the ordinance and have the tax imposed in that year.

The actual fiscal impact depends on local action.

State Agencies Affected: Department of State Revenue; State Budget Agency.

Local Agencies Affected: Counties.

Information Sources: Department of Revenue state taxable income data.

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